

Message Text

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TO AMEMBASSY TEL AVIV IMMEDIATE

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EXDIS

E.O. 11652: GDS

TAGS: EAID, ECON, EFIN, IS

SUBJECT: ISRAEL'S AID REQUEST: TECHNICAL TALKS

REF: STATE 164032

1. AT THEIR INITIATIVE, ISRAELI ECONOMIC MINISTER
SHER, ACCOMPANIED BY COUNSELOR RAFF, DELIVERED TO VEST COPY
OF OFFICIAL ISRAELI WRITTEN RESPONSE TO TECHNICAL QUESTIONS
DEPT SUBMITTED TO ISRAELIS ON GOI BLUE PAPER JULY 11
(REFTEL). SHER NOTED THAT AMB. TOON RECEIVED SAME DOCUMENT
FROM FINANCE MINISTER RABINOWITZ IN TEL AVIV EARLY AUG 4.
HIGHLIGHT OF DOCUMENT ENTITLED "TECHNICAL DISCUSSIONS ON
ISRAEL'S REQUEST FOR EXTRAORDINARY U.S. ASSISTANCE IN 1976"
IS INCREASE IN REQUEST FOR U.S. ASSISTANCE TO ISRAEL FOR
CY 1976 FROM U.S.DOLS 2.6 BILLION TO U.S.DOLS 2.8 BILLION.
ISRAEL'S FORECASTED FINANCING REQUIREMENTS ACCORDING TO
THIS PAPER HAVE INCREASED FROM ITS JANUARY ESTIMATE BY
CONFIDENTIAL

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U.S.DOLS 240 MILLION WHILE 1976 SOURCES OF FINANCING

(EXCLUDING U.S. AID) FORECASTED IN THE AUGUST DOCUMENT ARE
UP BY U.S.DOLS 60 MILLION FROM THE BLUE PAPER ESTIMATES,

LEAVING A NEW ESTIMATED UNCOVERED BALANCE OF PAYMENTS DEFICIT OF U.S.DOLS 2.77 BILLION AS OPPOSED TO BLUE PAPER FORECAST OF U.S.DOLS 2.59 BILLION. MAJOR REASONS CITED FOR INCREASE IN AID REQUEST ARE A) INCREASE IN PRICES OF MILITARY ITEMS REQUESTED FOR CY 1976; B) U.S.DOLS 150 MILLION IN ADDITIONAL MILITARY EXPENSES FOR CARRYING OUT "THE POSSIBLE AGREEMENT" DISCUSSED BETWEEN RABIN AND THE SECRETARY ON JULY 12 IN BONN; C) ADDITIONAL REQUIREMENTS FOR U.S.DOLS 350 MILLION IN FOREIGN EXCHANGE SHOULD ISRAEL WITHDRAW FROM ABU RODEIS OIL FIELDS; D) POSSIBLE JOINT U.S.-ISRAELI VENTURE TO SET UP OIL STORAGE FACILITIES.

2. IN MEETING WITH VEST, SHER MAINTAINED ISRAEL HAD SUCCEEDED IN ITS POLICY OF DAMPENING CONSUMPTION AND DEMAND FOR IMPORTS IN PRIVATE SECTOR BUT HAD NOT FOUND IT POSSIBLE TO CUT PUBLIC EXPENDITURES. AUGUST PAPER LISTS JULY NET FOREIGN EXCHANGE RESERVES AT U.S.DOLS 1.36 BILLION WHICH WOULD COVER TWO MONTHS OF AVERAGE ANNUAL IMPORTS AND WHICH TALLIES WITH OUR ESTIMATE OF CURRENT ISRAELI MONETARY POSITION.

3. IN HIS PRESENTATION, SHER EMPHASIZED THAT IN ACCORDANCE WITH SECRETARY'S JULY DISCUSSIONS WITH RABIN IN BONN, AN ISRAELI ECONOMIC MISSION (ALSO DESCRIBED ON PAGE 2 OF REPORT), COMPOSED OF THE DIRGEN OF FINANCE MINISTRY, HIS ECONOMIC ADVISER AND ECONOMISTS FROM MINISTRY OF DEFENSE WILL HOLD DISCUSSIONS WITH STATE AND AID ON ISRAEL'S AID REQUEST. MISSION IS READY TO COME ANY TIME BUT SHER SUGGESTED THREE ALTERNATIVES:

A) U.S. MIGHT GIVE GOI, AFTER REVIEWING NEW DOCUMENT, LIST OF ANY ADDITIONAL QUESTIONS ASAP SO THAT ISRAELI ECONOMIC MISSION CAN ARRIVE WITH THE ANSWERS;

B) ADDITIONAL USG QUESTIONS EMANATING FROM ISRAELI WRITTEN RESPONSE TO USG QUERIES MIGHT BE REFERRED TO SHER WHO WOULD HOLD FURTHER PRELIMINARY TECHNICAL DISCUSSIONS WITH STATE CONFIDENTIAL

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AND AID PRIOR TO ARRIVAL OF MISSION FROM ISRAEL; OR

C) ECONOMIC MISSION COULD COME TO WASHINGTON IMMEDIATELY.

SHER ADDED THAT ISRAEL WANTS MISSION TO STATE AND AID TO BE FOLLOWED BY SECOND MISSION TO DISCUSS MILITARY AID REQUIREMENTS WITH DOD. SECOND GOI MISSION TO BE COMPOSED OF DEFENSE ECONOMISTS.

4. VEST INQUIRED WHAT KIND OF QUESTIONS WOULD ISRAELI ECONOMIC MISSION TRY TO RESOLVE, NOTING WE ARE NOT IN A POSITION TO SETTLE ON SPECIFICS. SHER REPLIED THAT IN ADDITION TO ANSWERING USG QUESTIONS PROMPTED BY ISRAELI

PAPER JUST PRESENTED, ISRAELI MISSION WOULD LIKE TO DISCUSS
DEFENSE PRICES AND NEW SUPPLY. VEST PROMISED THAT WE AND
AID WOULD STUDY WRITTEN REPLY TO U.S. QUESTIONS CAREFULLY
AND REMAIN IN TOUCH ON TIMING OF GOI'S ECONOMIC MISSION
TO WASHINGTON. INGERSOLL

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<< END OF DOCUMENT >>

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